

Factors Affecting Your City Property Tax Bill

The four most important factors affecting how much a property owner pays in city property taxes are:

- amount of city spending;
- availability of revenues other than property taxes;
- size of the tax base; and
- composition of the tax base

The first two factors, spending and other revenues, affect the total tax dollars that must be levied. The remaining two factors determine the tax levy's distribution among all property owners.

City Spending:

The first factor affecting city property tax levels is city spending. It is the only factor that the mayor and city council directly control. Saint Paul must maintain a balanced budget, so all proposed spending must be covered with a financing source. If city spending were the only factor affecting taxes, tax rates would mirror spending exactly.

Other Revenues:

City reliance on property taxes depends on other revenues available to the city. The dominant other revenues are state aids, such as Local Government Aid (LGA), utility fees collected for the use of the city streets and by-ways, transfers from other city funds, collections of motor vehicle-related fines, and interest earnings from cash balances. Trends for these other revenue sources are mixed. In recent years, the city has seen both growth and loss of these revenues. It is important that the city not rely too much on any single revenue source. Nevertheless, state aid is the city's largest revenue source and continues to be an important factor in Saint Paul's ability to control property taxes.

Size of the Property Tax Base:

The tax base size can be measured as the sum of the market value of all taxable properties. The absolute size of and changes in the tax base are attributable to many factors, the most important of which are: commercial/industrial lease values, commercial/industrial occupancy rates, and the strength of the residential market. The larger the base, the broader the distribution of the tax burden.

Property taxes in Saint Paul are affected by a state law called "Fiscal Disparities." This tax base sharing law causes a part of the City's property tax levy to be paid by businesses located outside the City. Saint Paul property owners will continue to benefit from this law in 2003, with "outsiders" paying \$13 million of the \$63.8 million total tax bill. However, the amount paid through Fiscal Disparities in 2003 is \$5 million less than the \$18 million paid in 2002, due to state law changes and economic factors. As a result, \$5 million more in city taxes will have to be paid by Saint Paul businesses and residents in 2003—even though the City will collect no more taxes in total than it did this year.

Composition of the Tax Base:

The composition of the base affects the relative share of the tax levy. The taxable property value, or tax capacity, is not the same on different classes of property. Minnesota's class rate system allocates differing shares of tax burden based on the use of the property. Apartments, residential homes, and commercial/industrial properties have different taxable value (tax capacity). One dollar of commercial/industrial property has a greater tax capacity than one dollar of residential property, due to the class rate structure.

The 2001 Legislature made significant adjustments to the class rates for payable 2002 taxes and subsequent years, reducing the class rates for large businesses, rental residential and homes valued over \$75,000. The payable 2003 class rates are compared to the payable 2001 rates below.

Property Class Rates **

	Pay 2001	Pay 2003
Homestead Residential \$0-\$76,000 EMV	1.00%	1.00%
Homestead Residential \$76,000-\$500,000 EMV	1.65%	1.00%
Homestead Residential over \$500,000 EMV	1.65%	1.25%
Non-Homestead Resid. single unit < \$76,000	1.20%	1.00%
Non-Homestead Resid. single unit > \$76,000	1.65%	1.00%
Non-Homestead Residential 2 or 3 units	1.65%	1.25%
Non-Homestead Residential 4 or more units	2.40%	1.80%
Commercial/Industrial < \$150,000	2.40%	1.50%
Commercial/Industrial > \$150,000	3.40%	2.00%

EMV: estimate market value

** Class rate percentages are applied to the Estimated Market Values of property to reach Taxable Values. The tax rate (formerly mill rate) is applied against the taxable values to determine the gross payable tax.

If the total value in one property class grows faster than the other classes, those property owners' tax share increases.

2003 Adopted Budget

The adopted \$63.8 million property tax levy makes 2003 the tenth year of no city property tax increase. The City is collecting fewer dollars in both nominal and real terms today than 1994: 1994's \$66.7 million levy equals \$81 million today after adjusting for inflation.

Of the proposed \$63.8 million levy, \$43.6 million is for city operations, \$18.8 million is for debt service, and \$1.4 million is levied on the Port Authority's behalf.

Although the City's property tax levy does not increase, the levy's distribution will change. The 2001 Legislature's law changes are gradually phasing-out residential properties' limited market value protection, which keep market value growth under a certain percentage. Residential owners will pay a greater share of 2003's total property tax levy than 2002's. In 2003, the Metropolitan Fiscal Disparities Program will experience the effect of the commercial/industrial class rate reductions. This reduction means non-Saint Paul property owners will pay a smaller share, shifting some burden to Saint Paul properties.

Tax Dollars and the Services They Buy

Look what less than a dollar a day can buy! Any citizen who pays property taxes wonders where the money goes. This pie chart shows how your tax dollars are at work in the community. Consider the property taxes on an average residential property (\$106,900) in Saint Paul. In 2003, the owner will pay about \$1,118 in property taxes (2002 school district referendum levy excluded). Of that amount, \$325, or 29%, will go to the City of Saint Paul. That's less than a dollar a day.

Police and Fire services receive two of the larger portions of your city property tax dollar. For \$73 annually, property taxpayers of an average-priced home are provided with 24-hour law enforcement protection. For \$52 a year, they receive around-the-clock fire and medical response. In addition to their immediate response services, both departments offer invaluable education and prevention programs.

\$96 covers capital debt, the city's annual cost of repaying bonds that finance street construction, new libraries, recreation centers, children's play equipment and other capital improvements made over the last ten years. \$27 goes to Parks and Recreation to provide a wide array of neighborhood recreational activities and to maintain 42 recreation centers and 4,000+ acres of city park land. For \$15, the Saint Paul Public Libraries offer taxpayers access to millions of books through the Metropolitan Library Service Association (MLSA) lending system and other library resources at their neighborhood libraries.

Estimated 2003 Saint Paul Property Taxes

Truth in Taxation Rates Applied to a Typical Home Valued at \$106,900

